THE CNMV REVIEWS COST INFORMATION PROVIDED BY INVESTMENT FIRMS TO THEIR CLIENTS

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- Most notable issues concern information on inducements linked to the distribution of CISs
- Omissions of certain cost items also stand out in some cases, particularly currency costs or those implicit in bond prices
- The review found that some firms fail to provide a total cost figure, and when they do, it is presented only in euros rather than as a percentage as well
- In some cases, information is limited to the fee prospectus and is partial; in other cases, it is scattered across multiple documents, offering no consolidated view of costs
- The CNMV will continue monitoring this matter over the coming years

The Spanish National Securities Market Commission (CNMV) has carried out a supervisory review to assess the quality and level of information on costs provided by credit institutions and investment firms to their clients. This is a key aspect for investors to make informed investment decisions, as it directly affects performance.

The review, outlined in the CNMV's 2025 Activity Plan, focused on medium and small-sized firms that have not been subject to a review on this matter in recent years. It covered products marketed by these firms, including collective investment schemes, fixed income, equities, and other instruments.

Based on the work performed, several conclusions can be drawn:

1. **Observations and findings in pre-transaction (ex-ante) information:**

- While clients are generally informed about applicable costs before making transactions, there is wide variation in how this information is presented for specific transactions. Disclosures are often less standardised and show lower compliance with formal regulatory requirements compared with ex post information (annual reports).

- **Most notable issues relate to insufficient information on inducements.** The main concern is that some firms fail to break down inducements in pre-transaction information when they are linked to the distribution of collective investment schemes (CIS)—although management fees are disclosed, the portion of the fee returned to the firm is not specified. This issue is further

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exacerbated in two firms, as they also fail to report inducements correctly in their ex post disclosures. Accurate information on inducements allows clients to understand the full cost of product distribution.

- **Some firms have also been found to omit certain cost items**, most commonly currency exchange costs. Other omitted cost items were placement fees or specific CIS costs, such as transaction costs or other charges beyond management fees. Moreover, for fixed income instruments, potential implicit costs are generally not taken into account. Firms are further reminded that, in the case of illiquid instruments, the difference between the transaction price and the fair value of an instrument shall be regarded as an implicit cost.

- **Concerning the formats used,** a wide range of approaches is observed, with a number of shortcomings identified. Some firms fail to provide ex-ante information beyond fee prospectuses or contractual documentation, or only disclose partial information. In other cases, information is scattered across several documents, without offering a consolidated view of all costs. Some firms make incorrect use of standardised tables (for example, showing only maximum fees or providing multiple examples, with no clear indication of which one is applicable).

- **There is lack of illustration of the impact** of costs on returns across fixed income, equities and derivative instruments.

2. Observations and findings in the annual report on costs (ex post information):

- Firms generally submit their reports on costs in a timely manner and in an acceptable format. However, some entities fail to provide a single total cost figure aggregating all costs, or they only present costs it in absolute terms (euros) rather than as percentages as well.

- The most relevant deficiency identified in the reviewed sample was **failure** by one **firm to include** costs associated with investment funds. It is also noteworthy that another firm did not disclose information on **inducements**—reporting a zero amount despite actually receiving them—and that incorrect inducement data were identified in two other entities.

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- Other issues identified include the **omission of certain cost items** similar to those observed in the ex-ante information (currency-related costs, placement fees, incomplete CIS costs and implicit costs in fixed-income instruments). In addition, one firm was found not to include VAT on the advisory service as a cost.

- Quite often, a **cash-based approach** is used for cost allocation, with costs assigned to the year in which they are charged rather than the year in which the service is provided. This makes it harder to assess annual costs and compare them with the period's return. In some cases, percentages are calculated on an **unreasonable basis**, when they would be more appropriately based on the average balance.

- As with ex ante information, several firms were also found to lack an **illustration of the impact** of costs on returns or to present issues in the calculation methodology.

The CNMV considers the proper disclosure of costs to clients a key supervisory focus and will continue reviewing this matter over the coming years.

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